

AMENDED IN ASSEMBLY AUGUST 25, 2011

AMENDED IN SENATE MAY 19, 2011

AMENDED IN SENATE MARCH 17, 2011

SENATE BILL

No. 14

Introduced by Senators Wolk, DeSaulnier, and Huff

(Principal coauthors: Senators Alquist and Rubio)

(Principal coauthors: Assembly Members *Blumenfield*, Bonilla,

Buchanan, *Dickinson*, Fletcher, Gordon, and Olsen)

(~~Coauthor: Senator~~ Coauthors: Senators Correa and Harman)

(Coauthors: Assembly Members *Alejo*, Allen, Beall, Bill Berryhill,

Block, *Feuer*, *Galgiani*, Harkey, Huffman, *Nielsen*, and Wagner)

December 6, 2010

An act to add Sections ~~9147.8~~ *13335.1*, *13335.3*, ~~and 13335.5~~
13335.5, and *13335.7* to the Government Code, relating to the State
Budget.

LEGISLATIVE COUNSEL'S DIGEST

SB 14, as amended, Wolk. State Budget.

(1) The California Constitution requires the Governor to submit annually to the Legislature a budget itemizing state expenditures and estimating state revenues and requires the Legislature to pass the Budget Bill by midnight on June 15.

This bill would require that the budget submitted by the Governor to the Legislature for the ~~2014-15~~ *2013-14* fiscal year and each fiscal year thereafter, *as specified in a plan developed by the Department of Finance and distributed to the appropriate committees of the Legislature by August 1, 2012*, be developed pursuant to performance-based budgeting, as defined, for each state agency.

(2) Under existing law, a state agency for which an appropriation is made is generally required to submit to the Department of Finance for approval a complete and detailed budget setting forth all proposed expenditures and estimated revenues for the ensuing fiscal year.

The bill would require the budget of a state agency, as defined, submitted to the department *as specified in the plan developed by the department*, to utilize performance-based budgeting for all programs, as defined to include those performed not only by state agencies, but by local agencies, contractors, or others that have a material relationship with the state, or its authorities and activities. For those programs not administered by the state, but which confer a benefit that would not otherwise ~~occur~~ *be conferred* but for the action of state government, state departments would be required to develop a process for consulting with responsible local agencies, contractors or other responsible entities, and stakeholders to develop information related to performance standards and program performance. The bill would require the department to include specified performance-based budgeting information in the Governor's budget proposal and to post that information on the department's Internet Web site. ~~The bill would authorize a committee designated by the Legislature, utilizing the recommendations of specified entities, to propose legislative changes to those programs.~~

~~The bill also would establish a task force comprised of the Director of Finance, the Controller, and the chairpersons and vice chairpersons of the Senate Committee on Budget and Fiscal Review and Assembly Committee on Budget to review and comment on performance-based budgeting guidelines and procedures, to be used by state agencies in developing performance-based budgets, to review and comment on a training program for state agency personnel involved in the performance-based budgeting process developed by the Department of Finance, and to review and comment on a plan developed by the department for phasing in performance-based budgeting, which plan would be required to ensure that such budgeting would be in use by the 2012-13 fiscal years, giving priority to those programs that were a part of the 2011-12 realignment project.~~

~~Implementation of the bill's provisions requirement to use performance-based budgeting for departments and programs would be contingent on an appropriation of funding for its purposes that requirement in the annual Budget Act.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 ~~SECTION 1. It is the intent of the Legislature in enacting this~~
2 ~~measure during the 2011–12 Regular Session to provide a system~~
3 ~~of analysis that supports a results-oriented framework for the~~
4 ~~delivery of public services. That framework should prioritize~~
5 ~~understanding the results of programs and funding that are subject~~
6 ~~to a transfer of authority and responsibility from state government~~
7 ~~to county governments.~~

8 ~~SEC. 2. Section 9147.8 is added to the Government Code, to~~
9 ~~read:~~

10 ~~9147.8. (a) Not later than one year after the effective date of~~
11 ~~the act that added this section, the Legislature shall designate a~~
12 ~~committee of the Legislature, which may be a new joint committee~~
13 ~~created for this purpose or an existing joint committee, to adopt a~~
14 ~~process, schedule, and deadline for reviewing the performance of~~
15 ~~all programs at least once every 10 years, and the designated~~
16 ~~committee shall undertake that review. The schedule shall provide~~
17 ~~for reviewing programs with expenditures that total one-third or~~
18 ~~more of total expenditures by July 1, 2015, and that total two-thirds~~
19 ~~of total expenditures by January 1, 2018. For purposes of this~~
20 ~~section, “expenditures” include appropriations from all varieties~~
21 ~~of funds as reflected in the Budget Bill submitted by the Governor,~~
22 ~~and statutory exemptions, deductions, credits, or exclusions from~~
23 ~~taxes or fees that would otherwise apply. For purposes of this act,~~
24 ~~“expenditures” also shall include the revenue and expenditures of~~
25 ~~state departments that are not reflected in the Budget Bill. The~~
26 ~~process established by the designated committee to review the~~
27 ~~performance of public programs shall reflect the principles of~~
28 ~~performance-based budgeting and shall include the participation~~
29 ~~of the Senate Committee on Budget and Fiscal Review and the~~
30 ~~Assembly Committee on Budget.~~

31 ~~(b) Not later than six months prior to the deadline for review of~~
32 ~~each program, the committee designated pursuant to subdivision~~
33 ~~(a) shall refer the information on an initial program review to the~~
34 ~~appropriate policy committees of each house of the Legislature.~~
35 ~~For programs with common objectives, the reviews may be~~

1 combined. Not later than 90 days prior to the deadline, the policy
2 committees shall make recommendations regarding a program to
3 the designated committee. The review by the designated committee
4 may be based on the recommendations of the policy committees,
5 as well as recommendations that may be made by the Milton Marks
6 “Little Hoover” Commission on California State Government
7 Organization and Economy, the Legislative Analyst, the Bureau
8 of State Audits, or the public. As part of its recommendations to
9 the Legislature, the Bureau of State Audits shall identify those
10 programs that pose the greatest financial risks to the state. If
11 following the review of one or more programs the designated
12 committee determines that statutory changes are necessary, the
13 designated committee may propose legislation that includes, but
14 is not limited to, one or more of the following:

- 15 (1) Modifications to the program that will reduce costs.
- 16 (2) Modifications to the program that will improve outcomes.
- 17 (3) Reorganization of the program by consolidating it with
18 programs that have similar objectives.
- 19 (4) Termination of the program, provided that if a program is
20 recommended for termination, an analysis shall include the
21 potential benefits if performance is improved, the relationship
22 between the program and desired public outcomes, and the impact
23 of eliminating that program. The analysis of impacts of elimination
24 shall include ramifications on related outcomes, the potential to
25 increase the burden and fiscal impact on other public programs,
26 and the potential impact on future budgets.

27 (e) Proposed legislation shall be submitted to the Committee
28 on Rules of each house of the Legislature for referral to the
29 appropriate policy committee for public hearing and further action.

30 (d) The designated committee shall post on an Internet Web site
31 its recommendations and the results of the Legislature’s action.

32 (e) “Performance-based budgeting” has the same meaning as
33 set forth in subdivision (d) of Section 13335.3.

34 (f) For the purposes of this section, “program” includes statutory
35 or constitutional provisions that authorize services, regulate
36 activities, evaluate services and programs, provide preferences in
37 the tax system, or otherwise confer a benefit that would not
38 otherwise occur were it not for the action of the state government,
39 including the procedures used to administer those programs,
40 whether performed by state agencies, local agencies, contractors,

~~or others that have a material relationship with the state or its
authorities and activities, or that have a fiscal effect on the state.~~

SECTION 1. Section 13335.1 is added to the Government Code,
to read:

13335.1. (a) *It is the intent of the Legislature in enacting
Sections 13335.3, 13335.5, and 13335.7 to provide a system of
analysis that supports a results-oriented framework for the delivery
of public services and the operation of state departments and
programs. That framework should prioritize understanding the
results of programs and funding that are subject to a transfer of
authority and responsibility from state government to county
governments.*

(b) *The Legislature hereby finds and declares the following:*

(1) *State government must focus on the outcomes of public policy
decisions and public programs to ensure opportunities are
available for all Californians to achieve a high quality of life.*

(2) *The Legislature must ensure that policymakers, public
program administrators, and rank-and-file state workers have
access to relevant and timely information so that they can make
informed decisions in the design and delivery of public programs.*

(3) *The focus of that information must be on the goals of those
public programs and the performance of the public agencies in
administering those programs.*

(4) *Goal and performance information should be widely
available, relevant, and timely for informing budget, policy, and
oversight decisions.*

(5) *In order to identify performance measurements relevant to
budget, policy, and oversight decisionmaking, public agencies
must consult with the public, rank-and-file state workers,
supervisors, and other officials responsible for the delivery of
public programs.*

(6) *Performance measurements, including information on
outcomes and other metrics relevant to improving those outcomes,
should be designed to ensure that limited public resources are well
spent.*

(7) *Establishing goal, performance, and outcome information
for public programs should be part of a systematic review of the
effectiveness and efficiency of those programs.*

(8) *Goal, performance, and outcome information should be
made widely available to the public.*

1 (9) Goal, performance, and outcome information should be used
2 in the annual budget and policy-making process to inform fiscal
3 and policy decisions and by the Legislature to enhance oversight
4 of public programs and to ensure results-based accountability.

5 (10) As a component of legislative oversight, goal, performance,
6 and outcome information should be used to identify programs that
7 require fundamental reforms to improve outcomes and programs
8 subject to elimination because they are ineffective.

9 ~~SEC. 3.~~

10 SEC. 2. Section 13335.3 is added to the Government Code, to
11 read:

12 13335.3. (a) As used in this article, “performance-based
13 budgeting” means a system of budgeting that uses information on
14 performance to inform resource allocation decisions, thereby
15 establishing clear accountability.

16 (b) The purpose of performance-based budgeting is to inform
17 policy, fiscal, and oversight decisions by the Governor and
18 Members of the Legislature; to focus managers, supervisors, and
19 rank-and-file workers on achieving desired goals; and to
20 communicate to the public the value of public programs, progress
21 toward desired results, and the choices available to improve the
22 expenditure of public funds.

23 ~~(b)~~

24 (c) Every state agency for which an appropriation has been made
25 shall submit to the department for approval a complete and detailed
26 budget at the time and in the form prescribed by the department,
27 setting plan developed by the department pursuant to Section
28 13335.5 that sets forth all proposed expenditures and estimated
29 revenues for the ensuing fiscal year.

30 ~~(e) The budget~~

31 (d) Budgets submitted to the department and proposed by the
32 Governor pursuant to subdivision (c) shall use performance-based
33 budgeting methods that to make it clear to policymakers and the
34 public the value and results of existing operations and proposed
35 changes.

36 ~~(d) As used in this article, “performance-based budgeting”~~
37 ~~means a system of budgeting that uses information on performance~~
38 ~~to inform resource allocation decisions, thereby establishing clear~~
39 ~~accountability.~~

1 (e) A ~~performance-based~~ *budget* ~~budget~~ *using*
2 *performance-based budgeting* shall identify and update all of the
3 following:

4 (1) The mission and goals of the agency.

5 (2) The activities and programs focused on achieving those
6 goals.

7 (3) Performance metrics that reflect desired outcomes for
8 existing and proposed activities and a targeted performance level
9 for the following year.

10 (4) Prior-year performance data and an explanation of deviation
11 from previous-year targets.

12 (5) Proposed changes in statute, including the creation of
13 incentives or elimination of disincentives that could improve
14 outcomes or hold down costs.

15 (6) A description of the impacts and consequences to ~~the current~~
16 ~~recipients or beneficiaries of~~ *parties affected by* a program proposed
17 for modification or elimination.

18 (f) ~~The Governor's Internet Web site shall provide a summary~~
19 ~~of each state agency's mission, goals, prior-year performance, and~~
20 ~~future-year objectives.~~

21 SEC. 4. ~~Section 13335.5 is added to the Government Code, to~~
22 ~~read:~~

23 ~~13335.5. (a) Not later than the 2014-15 fiscal year, and each~~
24 ~~fiscal year thereafter, the budget submitted by the Governor to the~~
25 ~~Legislature, as required by Section 12 of Article IV of the~~
26 ~~California Constitution, shall be developed by utilizing~~
27 ~~performance-based budgeting methods.~~

28 ~~(b) The amount of each appropriation made in the Budget Act~~
29 ~~for the 2014-15 fiscal year, and each fiscal year thereafter, for~~
30 ~~expenditure by any state agency shall be determined after~~
31 ~~considering performance-related data. When the Budget Bill is~~
32 ~~submitted by the Governor, he or she shall include performance~~
33 ~~standards for that budget in a separate document. These standards~~
34 ~~shall be applied to each state agency, and should allow the public~~
35 ~~and policymakers to understand the effectiveness and efficiency~~
36 ~~of each program. For those programs that are not administered by~~
37 ~~the state, but which confer a benefit that would not otherwise occur~~
38 ~~were it not for the action of the state government, departments~~
39 ~~shall develop a process for consulting with the responsible local~~
40 ~~agencies, contractors or other responsible entities, and stakeholders~~

1 to develop information related to performance standards and
2 program performance.

3 (e) The department shall include performance-based budgeting
4 information in the Governor's budget proposal, in both printed
5 and electronic formats if prepared, and post the information on its
6 Internet Web site where it routinely posts budget information. That
7 information shall include, but not be limited to, information on all
8 of the following:

9 (1) The mission and goals of each agency provided spending
10 authority in the budget proposal.

11 (2) The activities and programs focused on achieving those
12 goals.

13 (3) Performance metrics that reflect desired outcomes for
14 existing and proposed activities and a targeted performance level
15 for the following year.

16 (4) Prior-year performance data and an explanation of deviation
17 from previous-year targets.

18 (5) A description of the impacts and consequences to the current
19 recipients or beneficiaries of a program proposed for modification
20 or elimination.

21 (d) The Legislative Analyst's Office shall review the adequacy
22 of performance metrics and progress toward targeted outcomes in
23 preparing its review of the Governor's Budget proposal.

24 (e) A task force consisting of the director, the Controller, and
25 the chairpersons and vice chairpersons of the Senate Committee
26 on Budget and Fiscal Review and the Assembly Committee on
27 Budget shall do all of the following:

28 (1) Review and comment on guidelines and procedures drafted
29 by the department to be used by state agencies in developing
30 performance-based budgets pursuant to Sections 13320 and
31 13335.3. The guidelines shall describe how state employees will
32 be involved in establishing and implementing performance
33 standards.

34 (2) Review and comment on a training program developed by
35 the department for appropriate executive branch personnel to ensure
36 the successful implementation of performance-based budgeting
37 and management by state agencies.

38 (3) Review and comment on a plan prepared by the department
39 for systematically phasing in the requirements of Sections 13320
40 and 13335.3. The plan should ensure that, by the 2012-13 fiscal

1 year, performance-based budgeting methods are used in preparing,
2 reviewing, and enacting one-third or more of the total General
3 Fund expenditures as proposed in the Governor's Budget for that
4 fiscal year. Priority shall be given to those programs that were part
5 of the 2011-12 realignment project as enacted.

6 (f) For purposes of this article, "state agency" means any agency,
7 department, or other entity of the executive branch of the state that
8 is required to submit a budget pursuant to Article 2 (commencing
9 with Section 13320).

10 SEC. 5. ~~Implementation of this act is contingent on an~~
11 ~~appropriation of funding for its purposes in the annual Budget Act.~~

12 (f) *Performance-based budgeting shall be used by each state*
13 *agency as specified in the plan submitted by the department*
14 *pursuant to Section 13335.5 and shall allow the public and*
15 *policymakers to understand the effectiveness and efficiency of each*
16 *program. For those programs that are not administered by the*
17 *state, but that confer a benefit that would not otherwise be*
18 *conferred were it not for the action of the state government,*
19 *departments shall develop a process for consulting with the*
20 *responsible local agencies, contractors or other responsible*
21 *entities, and stakeholders to develop information related to*
22 *performance standards and program performance.*

23 (g) *The department shall include performance-based budgeting*
24 *information in the Governor's budget proposal, as specified in*
25 *Section 13335.7, in both printed and electronic formats if prepared,*
26 *and post the information on its Internet Web site where it routinely*
27 *posts budget information. That information shall include, but not*
28 *be limited to, information on all of the following:*

29 (1) *The mission and goals of each agency provided spending*
30 *authority in the budget proposal.*

31 (2) *The activities and programs focused on achieving those*
32 *goals.*

33 (3) *Performance metrics that reflect desired outcomes for*
34 *existing and proposed activities and a targeted performance level*
35 *for the following year.*

36 (4) *Prior-year performance data and an explanation of deviation*
37 *from previous-year targets.*

38 (5) *A description of the impacts and consequences to parties*
39 *affected by a program proposed for modification or elimination.*

1 *SEC. 3. Section 13335.5 is added to the Government Code, to*
2 *read:*

3 *13335.5. No later than August 1, 2012, the Department of*
4 *Finance shall prepare and distribute to the appropriate committees*
5 *of the Legislature, and to the Legislative Analyst's Office, a plan*
6 *and a timeline to implement the requirements of Section 13335.3,*
7 *including information on strategies and a timeline for the*
8 *integration of performance-based budgeting into the FISCAL system*
9 *as defined by Chapter 7 (commencing with Section 15849.20) of*
10 *Part 10b of Title 2, as follows:*

11 *(a) The plan shall identify those departments and programs for*
12 *which performance-based budgeting shall be used beginning with*
13 *the development of the Governor's budget for fiscal year 2013–14,*
14 *and shall specify the rate of expansion in the number of*
15 *departments and programs for which performance-based budgeting*
16 *is to be used in subsequent years.*

17 *(b) The plan and timeline shall describe how state employees*
18 *and other affected parties will be involved in establishing and*
19 *implementing performance standards.*

20 *(c) The plan shall identify training needs and opportunities to*
21 *ensure that state employees have appropriate opportunities for*
22 *education, training, and support to ensure the successful*
23 *implementation of performance-based budgeting and management*
24 *by state agencies.*

25 *SEC. 4. Section 13335.7 is added to the Government Code, to*
26 *read:*

27 *13335.7. (a) Beginning with the budget submitted by the*
28 *Governor to the Legislature pursuant to Section 12 of Article IV*
29 *of the California Constitution for the 2013–14 fiscal year, the*
30 *department shall require the use of performance-based budgeting*
31 *for those departments and programs required by the plan submitted*
32 *by the department to the Legislature pursuant to Section 13335.5*
33 *to use performance-based budgeting for the applicable fiscal year.*

34 *(b) The budget submitted by the Governor to the Legislature*
35 *pursuant to Section 12 of Article IV of the California Constitution*
36 *for the 2018–19 fiscal year, and for every fiscal year thereafter,*
37 *shall be developed for each program and department using*
38 *performance-based budgeting.*

1 (c) *The Legislative Analyst’s Office shall review the adequacy*
2 *of performance metrics and progress toward targeted outcomes*
3 *in preparing its review of the Governor’s Budget proposal.*

4 (d) *For purposes of Sections 13335.3 and 13335.5, “state*
5 *agency” means any agency, department, or other entity of the*
6 *executive branch of the state that is required to submit a budget*
7 *pursuant to Article 2 (commencing with Section 13320).*

8 *SEC. 5. Implementation of Section 13335.7 of the Government*
9 *Code is contingent on an appropriation of funding for its purposes*
10 *in the annual Budget Act.*